

Caring About Independence

October 21, 2011

Ms. Beverly Brandt
Director, Bureau of Health Facilities and Services Development
South Carolina Department of Health and Environmental Control
2600 Bull Street
Columbia, SC 29201-1708

RE: Establishment of a comprehensive home health agency in Beaufort County by Liberty Home Care VI

Opposition to the following Certificate of Need applications for the establishment of comprehensive home agencies in Beaufort County: SJC Home Health Services-Lowcountry, Community Health, Inc., Interim Healthcare, NHC HomeCare, Beaufort, Gentiva Home Health, Tri-County Home Health Care and Services – MSA, and United Home Care of Low Country

Dear Ms. Brandt:

This letter, written in follow-up to the Project Review meeting on behalf of Liberty Home Care VI (Liberty), serves to summarize Liberty's Certificate of Need (CON) application to establish a comprehensive home health agency in Beaufort County as well as opposition to the following Certificate of Need applications: SJC Home Health Services-Lowcountry, Community Health, Inc., Interim Healthcare, Inc., NHC HomeCare, Gentiva Home Health, Tri-County Home Health Care and Services, and United Home Care.

LIBERTY HOME CARE VI—BEAUFORT COUNTY

In response to the need determination in the *2010-2011 South Carolina Health Plan* and market analysis, Liberty proposes to develop a comprehensive home health agency to serve the residents of Beaufort County. Proposed services to be offered include nursing, home health aide, physical therapy, occupational therapy, speech therapy, medical social services, and medical supplies to residents of Beaufort County. The projected unmet need for home health patients in Beaufort County, along with the steadily increasing population in the service area, supports the need for the proposed project. These factors, coupled with Liberty Home Care's ability to effectively serve the Beaufort County service area residents, support the need for the proposed project.

Summary of Liberty's Compliance with Project Criterion

Liberty will best meet the project review criteria for several reasons:

- As an independent agency, Liberty is not affiliated with a particular hospital or nursing home and will best be able to meet the needs of all referral sources in the areas
- Liberty is not under any investigation for questionable practices
- Liberty will efficiently serve the entire service area from one centrally located office
- Liberty has long standing experience in South Carolina and the south east specifically in home health

Liberty is well established and experienced in providing state-of-the-art home health services. Liberty Home Care was established in North Carolina in 1994 with the formation of Liberty Home Care, LLC. In 1999, Liberty Home Care acquired the assets of Comprehensive Home Health Care (CHHC) and in 2002 purchased eight home health agency offices of Duke & St. Joseph Health Care. Today, Liberty Home Care is led by a seasoned team of healthcare professionals and provides home care services through offices in 27 locations covering various urban and rural counties throughout North Carolina, South

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Carolina and Virginia. In 2009, Liberty's 27 locations served 20,099 patients with 348,391 total visits. The three South Carolina offices served 1,596 of these patients with 25,952 visits. In 2010, Liberty served 21,182 patients with 354,930 total visits. The three South Carolina offices served 1,692 of these patients with 28,073 visits.

Liberty understands and appreciates the need to operate home health agencies independently, as opposed to functioning as a department of a larger organization. As such, a unique and critical component of the corporate structure of Liberty is that an institutional operational structure is not imposed on the home health agencies. As a result of this philosophy, the agencies have thrived and continue to provide high quality services. Providing these resources optimizes operational efficiencies and economies of scale, resulting in cost effectiveness. Liberty Home Care is prepared to add the Beaufort County office to the existing structure, and integration will be seamless. The proposed agency will be modeled after Liberty's other existing home health agencies, and will benefit from the previous experiences and knowledge of these agencies. Additionally, the home health offices within Liberty Homecare Group, LLC utilize the services of two affiliated management companies, Home Care Management Services, LLC for clinical and managerial support and Liberty Healthcare Management, Inc. for back-office support functions such as billing, payroll, budgeting and accounting, human resources, and risk management. These companies allow Liberty's independent agencies to benefit from the experiences and knowledge of the management companies and enable them to efficiently complete their jobs.

Liberty will make it easier for traveling staff to effectively and efficiently complete their jobs. This, in turn, results in high patient and staff satisfaction. An operations manager will be on site in the Beaufort office, providing direction for the local staff and directly working with them. Additionally, Liberty's use of technology through electronic signatures and point of care charting allows staff to complete charting outside of the office, which is essential for traveling home health staff to work efficiently. Staff can move from visit to visit, and spend more time focusing on patient care. With this technology, operational efficiencies are achieved, patient care is emphasized, and patient and staff satisfaction are high. To assist the staff in continually assessing the patient, Liberty also has a unique telemedicine program that has positive benefits for patients with diagnoses such as chronic heart failure, chronic obstructive pulmonary disease and hypertension. Patients have a huge advantage with this program, as they are monitored daily.

Liberty Home Care provides services based on the needs of each patient as identified in their plan of care and services are designed to provide excellent care to all patient populations. The following service disciplines and associated treatments are proposed for the new agency: Skilled Nursing, Home Health Aide, Therapy (including Physical Therapy, Occupational Therapy, and Speech Therapy/Speech Language Pathology), Medical Social Services, and Other Home Health Services such as Nutrition Counseling and Infusion Services. If a market analysis demonstrates need for other services, the additional services will be available as soon as trained staff is available. Liberty is committed to providing quality services, and its first commitments are to patients, physicians, community and employees.

Liberty Home Care's services will serve the unmet need of home health patients in 2011 and beyond. The projected 2011 home health patient population can fully support the proposed project, as shown in the 2010-2011 *South Carolina Health Plan*. Liberty projects 101, 177 and 273 patients in Project Years One, Two and Three, respectively. These conservative projections were based on the home health methodology within the 2010-2011 *South Carolina Health Plan* and expected population growth. Liberty Home Care of Beaufort will employ a Homecare Liaison through one of their affiliated management companies that will help the agency achieve projected utilization and assist the agency in establishing relationships with health care facilities, physicians, referred patients and families, and other key community organizations.

Liberty proposes to lease office space at Landmark Center in Bluffton. The nature of home health care is to provide services convenient to the patients in their homes, not at the administrative office. While the administrative office is proposed to be located in Bluffton, clinical staff will be located geographically to

serve the entire Beaufort County area. There will be no impact on access to services with regards to the office location. Staff assignments are geographic and made based on patient scheduling needs where possible.

Liberty ensures that home health services are accessible to all patients, and will accept all referrals of patients whose physician orders home health care and who meet clinical admission requirements without regard to age, sex, race, color, religion, or national origin. Liberty Home Care strives to serve the medically underserved and those that rely on federal aid for healthcare. Liberty believes that their indigent care projections, which are based on its historical experience and its knowledge of the population served, reflects the needs of the service area. If additional indigent care is needed, Liberty is prepared to provide it.

Project costs are reasonable and feasible at approximately \$133,000. The majority of costs are start-up costs (approximately \$115,000), and include estimated costs that will be incurred prior to opening the agency. The proposed project is reasonable and feasible and the project is viable; the three-year pro forma provided shows that the proposed project is financially feasible as it produces a positive net income starting in project year two.

Liberty balances high quality care with cost savings initiatives, as evidenced by the company's ability to continue to provide quality care while maneuvering through today's challenging healthcare world. The experience of the owners and the management team, as well as the strong support for its employees, indicate that Liberty is well qualified to provide home health services in South Carolina, specifically Beaufort County.

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#### **OPPOSITION TO COMPETING CERTIFICATE OF NEED APPLICATIONS**

Seven other applicants propose to establish comprehensive home health agencies in Beaufort County in response to the need determination in the *2010-2011 South Carolina Health Plan*: SJC Home Health Services-Lowcountry, Community Health, Inc., Interim Healthcare, Inc., NHC HomeCare, Gentiva Home Health, Tri-County Home Health Care and Services, and United Home Care.

#### **Summary of Liberty's Opposition to SJC Home Health Services-Lowcountry**

- *SJC is hospital focused*—SJC's primary focus and experience is within the acute care hospital setting, not home health. Since 2007, SJC discharged over 3,200 Beaufort County residents with over 11 percent of these patients being discharged to home health. Using these numbers, this would generate 352 home health referrals over a four year period, or **88** home health referrals per year. SJC emphasizes using their existing base such as these 88 home health referrals to achieve projected utilization; however, this existing base would only contribute 48 percent, 31 percent and 23 percent of the projected volume for project years one, two and three, respectively.
- *SJC's hospital affiliation may represent a barrier for other hospitals (Beaufort Memorial or Hilton Head) to refer to their agency*
- *SJC's existing resources are focused in southern Beaufort County*—SJC emphasizes the importance of utilizing existing resources for the proposed project. However, their existing resources are focused primarily in southern Beaufort County, neglecting the northern portion of the county. Lack of existing resources and marketing within the northern portion of the county will limit SJC's referral base and ability to achieve projected volumes.
- *SJC's proposed office site has limited space*—In general, a home health office requires more space than the proposed office site. They have identified 214 s.f. of office space to support the entire agency.
- *SJC's proposed level of indigent care is higher than national averages and is not consistent with their projected payor mix*. The project 5% of gross revenue as indigent but they only project 2 percent of their patients as being self pay.

#### **Summary of Liberty's Opposition to Community Health, Inc.**

- *Community Health is hospice focused*—Community Health's sole focus and experience is within the hospice setting, not home health. Hospice and home health are two different industries—whereas hospice focuses on quality of life, patient comfort, pain and symptom management, and support services, home health focuses on patient rehabilitation and traditional medical management.
- *Community Health's proposed location is on Hilton Head Island*—Community Health emphasizes the importance of locating their main office within the highest 75+ population density ZIP code on Hilton Head Island to better serve those residents. However, if office location is important, then this location neglects the remaining population throughout Beaufort County.
- *Community Health proposes additional locations*—Community Health states that additional offices will be established when there is sufficient demand. However, project costs for these additional offices are not accounted for which means there are no plans to market and service the population outside of their primary marketed area of Hilton Head Island within the first three years of operation. This will limit accessibility of home health services to individuals outside of Hilton Head Island.
- *Community Health does not appear to serve the entire county*—Community Health emphasizes the importance of the population within and around the Hilton Head Island ZIP codes, and the proposed project does not appear to serve all of Beaufort County.

#### **Summary of Liberty's Opposition to Interim Health, Inc.**

*Interim's utilization projections are high*—Interim's projected utilization is high, which could potentially have a negative impact on existing providers in Beaufort County.

- *Interim emphasizes pediatric services and volumes*—Interim emphasizes pediatric home health services and potential for pediatric patient utilization. However, there does not appear to be a need for these services in Beaufort County.
- *Interim proposes to have a fleet of vehicles available for staff*—Interim will make a fleet of cars available for staff. These costs were not identified in the project costs.
- *Interim proposed location is not located near a hospital*—Interim stresses the importance of being located near a hospital. However, the proposed location is not located near one.

#### **Summary of Liberty's Opposition to NHC HomeCare**

- *NHC's utilization projects are high*—NHC's visit projections appear to be higher than other applicants. These projections are not justified in their original application. To the extent that they achieve these volumes, it will negatively impact the existing agencies.

#### **Summary of Liberty's Opposition to Gentiva Home Health**

- *Gentiva is one of the home health agencies investigated by the United States Senate Committee on Finance*—In May 2010, the United States Senate Committee on Finance initiated an inquiry into home health therapy practices at Amedisys, LHC Group, Gentiva, and Almost Family, the four largest publicly traded home health companies, after a *Wall Street Journal* analysis of therapy utilization patterns at those four companies suggested they were taking advantage of the Medicare therapy payment system by providing medically unnecessary patient care. The report was submitted in September of 2011, and stated the following concerning Gentiva:
  - In its review, the Committee found...Gentiva encouraged therapists to target the most profitable number of therapy visits, even when patient need alone may not have justified such patterns:*
    - *Therapy visit records for each company showed concentrated numbers of therapy visits at or just above the point at which a "bonus" payment was triggered in the prospective payment system (PPS)...*
    - *Internal documents show that Gentiva developed a competitive ranking system for their management aimed at driving therapy visit patterns toward more profitable thresholds.*
    - *Internal documents show that Gentiva management discussed increasing therapy visits and expanding specialty programs to increase revenue.*
- *Gentiva is a large national corporation*—Gentiva is one of the four largest publicly traded home health companies. As such, the company lacks the exclusivity and personalized services that smaller companies may offer the residents of Beaufort County, instead offering generalized services. Additionally, large corporations focus more on the overall services provided on a national basis, rather than the services offered to each individual county, thus taking away from further improvement in the quality of existing service offerings as well as neglecting development of potential beneficial future offerings for Beaufort County. The focus is on the big, national picture rather than the needs of each individual county.
- *Gentiva's project costs and start-up costs are high*—Gentiva's project costs and start-up costs are the highest of all applicants. It is not necessary to spend this much money developing a home health agency, and it is possible that higher costs could result in higher patient care costs.
- *Gentiva focuses on mainly on hospitals as a referral source*—In focusing primarily on local hospitals such as Hilton Head Memorial and Beaufort Memorial Hospital as a referral source, Gentiva neglects other important sources. It will not be possible to achieve projected utilization without recognizing other important referral sources.

- *Gentiva's volumes are high*—Gentiva proposes to ramp up the most quickly with a projected utilization of approximately 500 patients by project year three. If the proposed growth rate is achieved, Gentiva would have the most negative impact on existing providers in Beaufort County.
- *Gentiva's staffing is low*—In relation to projected utilization, Gentiva's staffing is low. In order to properly serve the patients of Beaufort County at the projected utilization levels, additional staffing would be required, resulting in increased project costs.
- *Gentiva's projected indigent care does not represent home care industry experience*—Gentiva proposes three percent of gross revenue to indigent care. However, this high percentage does not reflect home care industry experience with indigent care. There is relatively little indigent care in home health since most patients are eligible for some form of third party coverage such as Medicare or Medicaid.
- *Gentiva uses their experience in Anderson County to justify projected utilization*—Gentiva's company Carolina Home Health Care-Greenville serves Anderson, Cherokee, Greenville, Laurens, Oconee, Pickens, Spartanburg and Union Counties according to the 2010-2011 *South Carolina Health Plan*. According to the DHEC license within Attachment 6 of Gentiva's original application, the location of this office is in Greenville, South Carolina. On Gentiva's website, South Carolina physical locations include home health offices in Anderson, Greenville, Spartanburg, and Union. From this, it is assumed that the main agency serving these counties is located in Greenville, South Carolina, and the remaining three agencies in Anderson, Spartanburg and Union, South Carolina function more as satellite agencies for the main Greenville office. As such, using their experience in the Anderson County satellite office does not properly justify projected utilization for the new proposed Beaufort agency.

**Summary of Liberty's Opposition to Tri-County Home Health Care and Services**

- *Tri-County proposes three office locations*—Tri-County proposed three fully-functioning office locations within Beaufort County because of alleged geographic challenges and the need to serve the entire county with its diversity and resources. However, the nature of home health care is to provide services convenient to the patients in their homes, not at the administrative office locations. A home care provider's typical day is spent making home visits and seeing patients; documentation and communication is by phone or by computer and it is not necessary to visit the administrative office. As such, office location does not have any impact on access to services. It is not cost effective or operationally efficient to have three fully-functioning offices for the proposed project. Additionally, it would follow that more FTEs than proposed would be needed to properly staff three fully-functioning office locations.
- *Tri-County emphasizes the importance of travel time to agency locations*—Tri-County emphasizes the importance of travel time to agency locations due to access and response time; however, the nature of home health care is to provide services convenient to the patients in their homes, not at the administrative office locations. Travel time to agency locations is not a factor in the proposed project.
- *Tri-County's start-up and project costs are low*—Tri-County's start-up and project costs are relatively low considering three fully-functioning office locations are proposed. They have not included all necessary expenses.
- *Tri-County's projected indigent care does not represent home care industry experience*—Tri-County proposes three percent of gross revenue to indigent care. However, this high percentage does not reflect home care industry experience with indigent care. There is relatively little indigent care in home health since most patients are eligible for some form of third party coverage such as Medicare or Medicaid.
- *Tri-County's projected utilization is high*—Tri-County proposes to ramp up with a projected utilization of approximately 460 patients by project year three. If the proposed growth rate is

achieved, Tri-County could potentially have a negative impact on existing providers in Beaufort County.

**Summary of Liberty's Opposition to United Home Care**

- *United Home Care's start-up and project costs appear to be low*—United Home Care's start-up and project costs are extremely low and unrealistic.
- *United Home Care's projected utilization is high*—United Home Care proposes to ramp up with a projected utilization of approximately 470 patients by project year three. If the proposed growth rate is achieved, United Home Care could potentially have a negative impact on existing providers in Beaufort County.
- *United Home Care's proposed project is not financially feasible*—Although United Home Care's net income is positive in project years two and three, it is extremely low in project year one at approximately \$(200,000) due to the time it takes to obtain Medicare and Medicaid certification, resulting in a lack of revenues the first five months. It is not financially sound to operate for five months without revenues; rather, it would make more business sense to delay the agency opening by five months rather than risk jeopardizing business finances.

**CONCLUSION**

Taking these factors into account, competing applicants failed to demonstrate that they are the appropriate applicants to fulfill the need for the home health agency in Beaufort County. Liberty Home Care demonstrates that it will be able to more effectively serve Beaufort County residents with the proposed project. Liberty balances high quality care with cost savings initiatives, as evidenced by the company's ability to continue to provide quality care while maneuvering through today's challenging healthcare world. The experience of the owners and the management team, the organization's ability to effectively and efficiently address the home health needs of the county with the proposed services, and the strong support for its employees are factors that indicate that Liberty is well qualified to provide home health services in South Carolina, specifically Beaufort County.

I appreciate your diligent review of Liberty's application and of the analysis presented in the Project Review presentation and in this letter. If you have any questions regarding any of the information presented, please feel free to contact me at 843-379-9372.

Sincerely,



Doug Whitman  
Development Director  
Liberty Healthcare

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